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Secretary Baker

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Multilateral Assistance Initiative for the Philippines

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Following is the prepared address by Secretary Baker for a special public session of the Multilateral Assistance Initiative (MAI) pledging conference, Tokyo, Japan, July 4, 1989.

It gives me great pleasure to participate in the inauguration of the Multilateral Assistance Initiative for the Philippines. I particularly wish to thank the World Bank and the Government of Japan for organizing and hosting this special occasion. Japan's extraordinary contributions to the MAI exemplify the kind of leadership befitting a global economic power.

MAI is a concrete expression of the kind of partnership and "creative responsibility sharing" we see as the basis of a new era in East Asia and the Pacific—as I indicated in a speech to our Asia Society a week ago [see Current Policy No. 1185].

President Bush and I believe that the MAI is essential if the Philippine economy is to grow and develop in a sustained, broad-based fashion over the next critical years. As an important effort based on international cooperation, the MAI will set a worldwide example of the use of multilateral assistance resources, from both public and private sector sources, in support of economic restructuring and sound environmental management.

MAI's Role in Fortifying Democracy's Economic Base

Our purpose here today, however, is much more than strengthening economic reform in one country. It is to express in tangible ways our commitment to the success of democracy and freedom.

In country after country in the world today, from Eastern Europe to East Asia, we see the dramatic relationship between economic success and democratic values. Development heightens demands for democracy; and without democracy, economic progress cannot be sustained. Thus, from its beginning, the MAI has had implications and objectives well beyond the purely economic. MAI is also critical to the future of Philippine democracy.

Few can forget the dramatic days of February 1986 when Filipinos bravely risked their lives for democracy. Just as dramatic as the success of "people power" in the Philippines has been President Aquino's persistence in reviving democratic institutions. Today, more than 300,000 Philippine public officials have been freely chosen in three elections under a new, democratic constitution. An unfettered, free-wheeling press aptly symbolizes this new spirit of freedom.

President Aquino and her government have undertaken farsighted and far-reaching economic reforms to revitalize the Philippine economy. Accelerating growth rates since 1986 reached 6.8% last year. This growth has come while the Philippine Government has responsibly and effectively managed a $28 billion foreign debt burden.

Nonetheless, enormous problems of poverty and development persist—problems that challenge us all to this very special effort. As a result of the 12% economic decline in the last difficult years before 1986, average incomes are still well below their 1981 high. During the early 1980s, unemployment mushroomed, and poverty gripped more than 60% of the people. The result was rapid growth of a communist-led insurgency.

Thus, democracy in the Philippines remains fragile and under attack. The communist movement, while probably no longer growing, continues to commit violence and exploit the vulnerabilities in Philippine society for political gain. This violence directly touched the United States in the recent tragic murder of our own Col. Nick Rowe in Manila.

The Role of the Philippine Government in MAI's Success

The MAI concept demonstrates a determination to fortify democracy's economic base at this critical time. MAI represents an extraordinary commitment by donors that is matched by an extraordinary commitment by the Filipinos themselves.

The Philippine Government has presented here its "Agenda for Growth and Development"—an impressive program of economic restructuring focused on sustainable growth, more equitable distribution of economic benefits, reduction of poverty, and restoration of commercial creditworthiness.

This Philippine reform agenda provides the broad framework for the MAI upon which an intensified Philippine reform effort can build. MAI resources will complement and support further

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development and implementation of the economic restructuring and development programs set out in the agenda. This, in turn, will reinforce the progress already made in structuring a dynamic, private sector-led Philippine economy—an economy free to expand to the full potential of the richly talented and industrious Philippine people.

In the reform agenda paper, the Filipinos show their commitment to continue removing bureaucratic and administrative roadblocks to rapid and effective development. They are also committed to speeding the delivery of services that improve the daily lives of the average Filipino.

The Philippine authorities will continue the process of opening their economy to trade, investment, competition, and entrepreneurial ingenuity. And, they promise a dedication to environmental protection—including rational use, protection, and restoration of vital natural resources. They recognize that without such a commitment to conservation, economic progress in the Philippines will be built on an eroding foundation.

The Role of the Private Sector

Thus, to succeed, the MAI must be a true partnership among concerned nations, the Philippine people, and their government—a common commitment to the future.

Special efforts must be made by all. The private sector is, ultimately, far more important than the increased official assistance we provide here. MAI is designed to produce a strong positive response from the private sector. The Philippine Government can establish a foundation for private sector-led growth by strengthening policies that stimulate economic dynamism and investment and by carefully choosing and implementing infrastructure projects. We are particularly pleased that Korea and Singapore, two countries with enormously successful experience in this regard, have joined us here to participate in the MAI effort.

The MAI serves as a challenge to international business to broaden its own commitment to the Philippines. Strong support for Philippine democracy—exemplified by the MAI commitments that the United States and other donors will make here—shows faith in the Philippine economic potential as well. The international business community must join with the Filipino business community in a concerted effort to realize that potential.

The U.S. Contribution

The United States is prepared to back its investment in the future of Philippine democracy. President Bush has asked the U.S. Congress for a multi-year commitment of $1 billion for the MAI. For the first year of the program, the United States is seeking to provide $200 million in special grant assistance, above and beyond our already large economic assistance program.

Members of Congress from both parties and both Houses have played a pivotal role in launching the MAI. Senators Lugar and Cranston, Representative Solarz and former Representative—now Secretary [of the Department of Housing and Urban Development]—Kemp originally promoted this special program for Philippine democracy. They and other interested Members of Congress of both parties have joined with us in laying its foundation. With the strong bipartisan support the Philippines enjoys, we will work hard with the Congress for approval of this $200 million as the initial U.S. contribution to the success of the MAI.

Key Objectives

The United States expects to support directly a number of key Philippine objectives with its MAI assistance.

Expanding the Private Sector Role. Our first priority is to expand the scope and role of the private sector in the Philippine economy by strengthening macroeconomic and structural reform. Such reform, coupled with badly needed infrastructure projects will contribute to developing an appropriate environment for attracting private investment from home and abroad.

Debt Reduction. Another important MAI objective is the reduction of the Philippines debt and debt service burden. Such a reduction will be a key factor in the Philippines' efforts to increase its reliance on investment and other private capital inflows, in place of official sources of financing, over the 5-year period of the MAI. The Philippines has expressed its intention to pursue the options for debt and debt service reduction embodied in Treasury Secretary Brady's proposals to strengthen the international debt strategy. Thus, we expect that U.S. assistance under the MAI will add to funds available from the IMF [International Monetary Fund], World Bank, and other sources to support market-oriented operations to reduce the Philippines' debt and debt service.

Conservation. Another key objective of U.S. participation in MAI is the rational management of natural resources to ensure that today's growth builds—and does not destroy—the resource base needed for the Philippines' future prosperity. We would like to see protection of the environment and natural resource conservation become the focus of a special, follow-on meeting in the near future. Innovative programs with the private sector, such as debt-for-nature swaps, should also be considered as a means of expanding the resources available for environmental research and protection.

Effective Donor Cooperation. Finally, we see the MAI as an exciting opportunity to broaden and institutionalize donor cooperation. As the two largest bilateral donors to the Philippines, the United States and Japan have worked together closely to shape the MAI as an experiment in enhanced coordination. Just as the Intergovernmental Group on Indonesia has played a formative role for two decades in Indonesia's dramatic economic revival, we anticipate that the MAI will attract substantial support from an increasing number of nations. And in MAI we see a means by which the international community can give regular support to the Philippine Government's efforts to advance economic reform—thus strengthening the foundation of Philippine democracy.

Conclusion

In closing, let me just note that today is a very special day in U.S.-Philippine relations—the Fourth of July. For many years, Filipinos and Americans have remembered July 4th as Philippine-American Friendship Day, to reinforce our traditionally close relationship. It is in this spirit that the United States has helped to pioneer the MAI. And it is in this spirit that the United States is proud to join in partnership with the remarkable range of allies and friends represented here, today, in this important joint effort to promote democracy and prosperity in the Philippines. ■

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